

Homeowner Defense Act Voted Out of Financial Services Committee; Now Goes to House Floor for Consideration

WASHINGTON, D.C. – Congresswoman Loretta Sanchez (CA-47), author of the Catastrophe Obligation Guarantee Act (COGA), today applauded the House Financial Services Committee for passing H.R. 2555, the Homeowner Defense Act, out of committee. The bill, which incorporated COGA as a provision, now goes to the House floor for further consideration.

“California communities are one step closer to having quality, affordable insurance options to cover losses associated with natural disasters,” said Rep. Sanchez, Vice-Chair of the House Homeland Security Committee. “Everyone knows the physical devastation that earthquakes and other catastrophic disasters can cause, but what about the financial impact? My bill, and the Homeowner Defense Act more generally, would take concrete action to protect consumers and provide them with lower insurance rates and policy deductibles.”

While some state and private catastrophic insurance programs are designed to cover insured losses from natural disasters, a small but significant number of catastrophic events are likely to exceed the financing capacity of these programs. Rep. Sanchez’s bill would help ensure funding for recovery is available in these situations by allowing the U.S. Treasury to guarantee any debt incurred by state-managed insurance companies, allowing them to borrow from the private market with a federal guarantee. The Treasury would then create a long-term reimbursement program for publicly-managed insurers to pay back the borrowed funds.

COGA and H.R. 2555 would help alleviate the costs associated with providing and purchasing catastrophic insurance and create nearly \$1 billion dollars in savings for state-managed insurers like the California Earthquake Authority over 5 years. Insurers in turn will pass those savings on to policyholders in the form of new and improved policy options and significantly reduced premium rates and policy deductibles. Because the savings are found within the system, state-managed insurance companies will remain financially strong at zero cost to taxpayers.